

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

REDEEMER COMMITTEE OF HIGHLAND
CREDIT STRATEGIES FUNDS,

Petitioner,

-against-

HIGHLAND CAPITAL MANAGEMENT,
L.P., a Delaware limited partnership,

Respondent.

Docket No. 1:16-cv-02668 JSR

**DECLARATION OF STUART
SARNOFF, ESQ. IN SUPPORT OF THE
REDEEMER COMMITTEE'S
PETITION TO CONFIRM
ARBITRATION AWARD AND IN
OPPOSITION TO HIGHLAND'S
MOTION TO VACATE ARBITRATION
AWARD**

I, Stuart Sarnoff, Esq., do hereby declare under penalty of perjury pursuant to 28 U.S.C. § 1746 the following:

I am a Partner in the law firm of O'Melveny & Myers LLP, counsel for petitioner, the Redeemer Committee of Highland Credit Strategies Funds (the "Redeemer Committee"). I submit this Declaration in support of the Redeemer Committee's Reply Memorandum of Law In Support of the Redeemer Committee's Petition to Confirm Arbitration Award and in Opposition to Highland's Motion to Vacate Arbitration Award. The facts set forth herein are true to my knowledge, information and belief.

1. Attached as Exhibit 1 is a true and correct copy the Tribunal's Final Award, dated April 7, 2016.
2. Attached as Exhibit 2 is a true and correct copy of the Redeemer Committee's Opening Post-Hearing Brief, dated November 6, 2015.
3. Attached as Exhibit 3 is a true and correct copy of the Redeemer Committee's Reply to Highland's Post-Hearing Brief, dated December 4, 2015.

4. Attached as Exhibit 4 is a true and correct copy of excerpted pages from the hearing transcript *In the Matter of the Arbitration Between Redeemer Committee of Highland Credit Strategies Fund v. Highland Capital Management, LLP*, No. 13 512 0180813, held September 2-3, 8-11, and 22-23, 2015.

5. Attached as Exhibit 5 is a true and correct copy of witness John Honis Demonstratives 3, 8 and 9.

6. Attached as Exhibit 6 is a true and correct copy of a letter to the Tribunal from Highland Capital Management opposing the testimony of Highland's President and Chief Executive Officer James Dondero, dated September 14, 2015.

7. Attached as Exhibit 7 is a true and correct copy of the American Arbitration Associations' Arbitration Rules and Mediation Procedures, adopted October 1, 2013.

8. Attached as Exhibit 8 is a true and correct copy of Highland Capital Management's Answering Statement, dated August 15, 2014.

9. Attached as Exhibit 9 is a true and correct copy of the Redeemer Committee's Response to Answering Statement of Highland Capital Management, L.P., dated September 17, 2014.

10. Attached as Exhibit 10 is a true and correct copy of Highland Capital Management's Reply to Redeemer Committee's Response to Answering Statement, dated December 12, 2014.

11. Attached as Exhibit 11 is a true and correct copy of the Interim Award (Decision on Motion to Dismiss), dated January 2, 2015.

12. Attached as Exhibit 12 is a true and correct copy of Highland Capital Management's Amended Renewed Motion to Dismiss, dated September 11, 2015.

13. Attached as Exhibit 13 is a true and correct copy of the Redeemer Committee's Response to Highland's Amended Renewed Motion to Dismiss, dated September 15, 2015.

14. Attached as Exhibit 14 is a true and correct copy of the Tribunal's decision denying Highland's Amended Renewed Motion to Dismiss, dated September 20, 2015.

15. Attached as Exhibit 15 is a true and correct copy of the Highland Capital Management's Opening Post-Hearing Brief, dated November 6, 2015.

16. Attached as Exhibit 16 is a true and correct copy of a letter from M. Feinstein to the Arbitration Panel re UBS Settlement and attachments, dated May 22, 2015.

17. Attached as Exhibit 17 is a true and correct copy of a letter reply to the Tribunal in support of Highland Capital's opposition to the testimony of Highland's President and Chief Executive Officer James Dondero, dated September 19, 2015.

18. Attached as Exhibit 18 is a true and correct copy of an email from C. Panos to M. Feinstein re Draft Settlement and attachment, dated May 8, 2015.

19. Attached as Exhibit 19 is a true and correct copy of an email from I. Leventon to M. Feinstein re "Credit Strategies Fund" and attachments, dated May 22, 2015.

20. Attached as Exhibit 20 is a true and correct copy of an email from C. Panos to M. Feinstein re "Credit Strat / UBS and term sheet" and attachment, dated May 12, 2015.

21. Attached as Exhibit 21 is a true and correct copy of Section 2 of the SEC's current Form ADV.

22. Attached as Exhibit 22 is a true and correct copy of a May 25, 2015 letter from M. Feinstein to the Credit Strategies Fund Investors re "UBS Settlement" responding to Highland Capital Management, L.P.'s May 22, 2015 letter to the Credit Strategies Fund Investors.

23. Attached as Exhibit 23 is a true and correct copy of an email from L. Coppola to M. Feinstein et al. RE: Redeemer Committee v. Highland Capital Management" and attachment, dated August 10, 2015.

24. Attached as Exhibit C-145 is a true and correct copy of an email from J. Silcock to J. Dondero RE "Follow-up", bates HL008590, dated May 29, 2013.

25. Attached as Exhibit C-207 is a true and correct copy of an email from S. Hays to J. Honis RE: "Cornerstone - Valuation Presentation to Dave", bates Highland000348122, dated July 25, 2013.

26. Attached as Exhibit C-208 is a true and correct copy of an email from S. Hays to J. Honis, bates Highland000348123, dated July 25, 2013.

27. Attached as Exhibit C-209 is a true and correct copy of an email from S. Hays to M. Pisani RE: "Cornerstone - Valuation Presentation to Dave", bates HL001562, dated July 25, 2013.

28. Attached as Exhibit C-212 is a true and correct copy of an email from D. Smith to J. Honis RE: "Credit Strategies", bates Highland000264446, dated July 30, 2103.

29. Attached as Exhibit C-250 is a true and correct copy of Cornerstone Board of Directors Meeting - September 2013 Investment Opportunity, bates CORNERSTONE007600 - CORNERSTONE007606, dated September 1, 2013.

30. Attached as Exhibit C-255 is a true and correct copy of an email from J. Carroll to P. Boyce, et al RE: "CHG Deck - Privileged & Confidential" and attachments, bates Highland000755864 - Highland000755872, dated September 17, 2013.

31. Attached as Exhibit C-256 is a true and correct copy of an email from I. Leventon to S. Robertson, et al. RE: "Credit Strat" and attachments, bates Highland000222411 - Highland000222413, dated September 18, 2013.

32. Attached as Exhibit C-260 is a true and correct copy of Cornerstone Healthcare Group Holding, Inc. Minutes of the Ad Hoc Committee of the Board of Directors, bates CORNERSTONE001516 - CORNERSTONE001524, dated September 19, 2013.

33. Attached as Exhibit C-261 is a true and correct copy of Cornerstone Healthcare Group Holding, Inc. Minutes of a Special Meeting of the Board of Directors, bates CORNERSTONE001501 - CORNERSTONE001507, dated September 19, 2013.

34. Attached as Exhibit C-263 is a true and correct copy of an email from L. Britain to T. Mascherin, et al. RE: "Crusader Offer Letter" and attachment, bates Highland000755938 - Highland000755939, dated September 23, 2013.

35. Attached as Exhibit C-264 is a true and correct copy of a letter from CHG to Highland Crusader Offshore Partners RE: "Offer to Purchase", bates Highland000755939, dated September 23, 2013.

36. Attached as Exhibit C-265 is a true and correct copy of an email from I. Leventon to D. Smith RE: "Urgent - Need to talk this morning", bates Highland000753262, dated September 23, 2013.

37. Attached as Exhibit C-267 is a true and correct copy of an email from D. Smith to I. Leventon RE: "Valuation" and attachment, bates Highland000753264 - Highland000753315, dated September 24, 2013.

38. Attached as Exhibit C-268 is a true and correct copy of a letter from T. Mascherin to D. Smith RE: "Response to Offer of Purchase", bates Highland000755976 - Highland000755977, dated September 26, 2013.

39. Attached as Exhibit C-273 is a true and correct copy of an email from J. Dondero to J. Honis RE "Credit Strat", bates Highland000222754 - Highland000222758, dated October 4, 2013.

40. Attached as Exhibit C-294 is a true and correct copy of Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 203(e), 203(i), and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, bates HL_COMM-000015720 - HL_COMM-000015726, dated September 25, 2013.

41. Attached as Exhibit C-357 is a true and correct copy of an email from J. Carroll to D. Smith et al. RE: "CHG Deck - Privileged and Confidential" and attachment, bates Highland000755791 - Highland000755791, dated September 16, 2013.

42. Attached as Exhibit C-414 is a true and correct copy of Bradfield Overseas Holdings LTD Subscription Agreement, dated March 31, 2006.

43. Attached as Exhibit C-415 is a true and correct copy of Netherfield Holdings LTD Subscription Agreement, dated November 30, 2006.

44. Attached as Exhibit J-022 is a true and correct copy of Joint Plan of Distribution of Credit Strategies Funds, bates Highland000359605 - Highland000359615, dated January 1, 2011.

45. Attached as Exhibit J-044 is a true and correct copy of J. Honis' Highland Capital Credit Strategies Redeemer Committee Notes, bates Highland000253229 - Highland00025325, dated August 16, 2012.

46. Attached as Exhibit J-051 is a true and correct copy of a letter from J. Dondero to Highland Credit Strategies Redeemer Committee, et al. RE: "Committee Correspondence of December 1, 2012", bates HL_COMM-000012935 - HL_COMM-000012939, dated December 12, 2012.

47. Attached as Exhibit J-063 is a true and correct copy of an email from J. Dondero to J. Honis RE: "Letter from Highland Credit Strategies Redeemer Committee re Highland Proposal", bates Highland000758659 - Highland000758661, dated May 20, 2013.

48. Attached as Exhibit J-067 is a true and correct copy of an email from J. Silcock to J. Honis RE: "HL Engagement Letter & Timeline" and attachments Houlihan Lokey Engagement Letter", bates Highland000447453 - Highland000447464, dated June 3, 2013.

49. Attached as Exhibit J-069 is a true and correct copy of an email from M. Pisani to J. Honis RE "HL's Revisions to Engagement Letter" and attachments, bates Highland000447479 - Highland000447490, dated June 5, 2013.

50. Attached as Exhibit J-070 is a true and correct copy of a letter from Houlihan Lokey to Highland Credit Strategies Holding Corp., bates Highland000013091 - Highland000013099, dated June 9, 2013.

51. Attached as Exhibit J-071 is a true and correct copy of an email from J. Dondero to B. Berh RE: "Letter from Highland Credit Strategies Redeemer Committee re Highland Proposal", bates Highland000225093 - Highland000225099, dated June 9, 2013.

52. Attached as Exhibit J-097 is a true and correct copy of Houlihan Lokey Valuation of Minority Equity Interest in Cornerstone for Highland Credit Strategies Master Fund, bates Highland000447422 - Highland000447451, dated July 15, 2013.

53. Attached as Exhibit J-101 is a true and correct copy of an email from J. Dondero to D. Smith RE: "Credit Strategies", bates Highland000264449, dated July 31, 2013.

54. Attached as Exhibit J-102 is a true and correct copy of an email from T. Loiben to D. Smith, et. al. RE: "Cornerstone Board Meeting", bates Highland000264454, dated July 31, 2013.

55. Attached as Exhibit J-103 is a true and correct copy of a letter from I. Leventon to Highland Credit Strategies Redeemer Committee RE: "Highland Credit Strategies Fund Asset Realization and Restricted Cash", bates Highland000014419 - Highland000014420, dated August 2, 2013.

56. Attached as Exhibit J-104 is a true and correct copy of an email from D. Smith to J. Dondero RE: "Board Presentation - Draft" and attachment, bates Highland000264513 - Highland000264518, dated August 5, 2013.

57. Attached as Exhibit J-105 is a true and correct copy of an email from D. Smith to J. Dondero, et al. RE: "Board Presentation" and attachment, bates Highland000264519 - Highland000264524, dated August 6, 2013.

58. Attached as Exhibit J-107 is a true and correct copy of an email from D. Smith to M. Francis et al. RE: "Cornerstone Letter" and attachment, bates HL001792 - HL001794, dated August 8, 2013.

59. Attached as Exhibit J-114 is a true and correct copy of a letter from M. Feinstein to I. Leventon RE: "Highland Credit Strategies Fund", bates HL_COMM-000002466 - HL_COMM-000002471, dated September 4, 2013.

60. Attached as Exhibit J-116 is a true and correct copy of an email from I. Leventon to S. Robertson et al. RE: "Credit Strat", bates Highland000222425 - Highland000222426, dated September 19, 2013.

61. Attached as Exhibit J-122 is a true and correct copy of an email from M. Feinstein to I. Leventon RE: "Credit Strat", bates Highland000223195 - Highland000223201, dated October 24, 2013.

62. Attached as Exhibit R-002 is a true and correct copy of an email from M. Pisani to D. Smith RE: "HL executed NDA transmittal RE: Cornerstone NDA" and attachment, bates CORNERSTONE003052 - CORNERSTONE003056, dated August 13, 2013.

63. Attached as Exhibit R-013 is a true and correct copy of an email from D. Smith to M. Pisani RE: "Cornerstone Letter" and attachment, bates CORNERSTONE006408 - CORNERSTONE006412, dated August 15, 2013.

64. Attached as Exhibit R-248 is a true and correct copy of an email from I. Leventon to R. Eliel et al. RE "Credit Strategies" and attachment, bates HL_COMM-000002883 - HL_COMM-000002888, dated October 21, 2013.

65. Attached as Exhibit R-808 is a true and correct copy of an email from M. Colvin to H. Kim RE "Highland Credit Investor Committee Ballot," dated May 6, 2011.

Executed this 17th day of May, 2016, at New York, New York.

s/ Stuart Sarnoff
Stuart Sarnoff, Esq.